

Stranded Gas Hearings

(0407291125 Minutes)

Legislator Discussions

July 29, 2004.

REPRESENTATIVE KERTTULA thanked everyone for his or her efforts. She then relayed that her biggest desire is to hear what the administration is doing regarding this issue. She highlighted the last question on the agenda: "What is Your Company Willing to Offer on Access Beyond What Is Required By Law?" She noted that Mr. Rutherford and Mr. Heinze talked about the aforementioned question vis-à-vis the right-of-way. She expressed interest in an outline of the ideas with regard to this question, as well as an outline regarding what the legislature should specifically look at in a contract. She also expressed interest in obtaining more information with regard to how rolling in rates would work.

REPRESENTATIVE LESIL MCGUIRE expressed interest in anything that would provide members a more solid understanding of the process that the FERC goes through, the interactions it has with the NEB, how the decisions are made, and what the role of the state would be. She suggested that it would be interesting to hear from a representative from Wyoming in regard to what it went through to arrive at its decision.

SENATOR GRETCHEN GUESS expressed the need to have the discussion regarding the FERC with the FERC rather than just listening to others offer opinions on what the FERC might do. Perhaps, it would also be helpful to have someone from the NEB. She, too, expressed the need for information with regard to the mechanics of rolling in rates.

CHAIR OGAN suggested that the shippers may have a bit of "heartburn" with [rolling in the rates] because it will increase their costs.

SENATOR GUESS remarked that she didn't understand the mathematical process with regard to how one methodology is determined over the other.

SENATOR SEEKINS highlighted the fact that the legislature has to wait and see what is proposed while simultaneously attempting to plan statutes that would facilitate reasonable development, remove possible statutory impediments, and protect the interests of Alaskans. He likened this situation to buying a car that one hasn't yet seen. Senator Seekins opined that the process is difficult because he is trying to be prepared to make a wise and reasonable decision in a short period of time on something unknown. He said he agrees with the suggestion of having a representative from Wyoming speak about Wyoming's experience.

CHAIR OGAN noted that Senator Cole, a Wyoming state legislator, will be present for the Energy Council meeting, and therefore he offered to have his staff try to schedule a meeting with that senator during that time. He encouraged everyone to come to the Energy Council meeting.

REPRESENTATIVE GARA said he agrees with those wanting a briefing on the FERC rules and suggested that there also be a briefing from a supplier that relies on the FERC rulings but isn't a pipeline owner. He suggested that there is a chance that a pipeline project in this state will be hampered if those who are in possession of large amounts of gas don't want to sell it unless it is through their own pipeline. He offered his understanding of the argument that if someone is willing to build a pipeline and [those in possession of the gas] won't sell it, it's a waste and the lease to sell gas would be lost. The aforementioned could be litigated for 10 years or so and ultimately kill the pipeline project. Therefore, he suggested the need to review whether there is anything the legislature can do to ensure that existing gas supplies are made available, under fair terms, to a pipeline. Until there is such an agreement, a pipeline can't be built, he opined.

CHAIR OGAN directed attention to what he termed as "Ogan's Golden Gas Rule," which is that those

with the gas make the rule, and opined that the aforementioned is a problem. He acknowledged that many have wanted to build a transportation system and many dollars and much time have been spent and still the state remains without a gas pipeline.

REPRESENTATIVE GARA said that's his point, and clarified that his question is whether the legislature can do anything to control [the state's] own destiny.

CHAIR OGAN highlighted that the market has changed, especially the Lower 48 gas market; cheap gas is now a thing of the past.

SENATOR DYSON remarked that the need for gas for Alaskans is huge. He noted that he was impressed with the legislature's action to not allow the "over the top" route, and suggested the producers would've eventually concluded [that it was not feasible] due to permitting and environmental issues. He suggested that the legislature should take actions which acknowledged that having gas available for Alaskans is of the highest priority. The royalties, he surmised, aren't enough to meet the needs of Alaskans. However, he maintained that if the major [producers] are going to be forced to supply gas to Alaskans, then it should be done in a manner that is fair.

SENATOR WAGONER agreed, and suggested reviewing a legislative package that could address some of the potential problems highlighted today.

REPRESENTATIVE HAWKER remarked that this process has been extremely valuable and from it he has created a list of less than 10 items that are parameters by which the proposals could be evaluated. He expressed the need to obtain a better understanding of the international treaty and the interplay between the FERC and the NEB. He further expressed the need to explore the issue of ownership of a potential line, particularly in relation to a Canadian-owned company.

CHAIR OGAN suggested having a panel discussion in the future.

CHAIR OGAN reiterated the need to discuss the costs of the off-takes and who would pick up the costs if it were too expensive for a community. He suggested reviewing whether the aforementioned could be accomplished through federal or state subsidies or through a joint partnership with the corporate entity that constructs the pipeline.